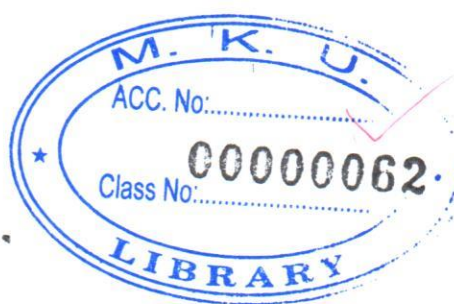


**AN ASSESSMENT OF CREDIT RISK MANAGEMENT ON ORGANIZATIONAL
PERFORMANCE AMONG MICROFINANCE INSTITUTIONS IN UASIN GISHU
COUNTY, KENYA**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
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ABSTRACT

Credit risk management has become an important aspect for financial institutions, especially since the business sector of financial services is related to conditions of uncertainty. The turmoil of the financial industry emphasizes the importance of effective risk management procedures. The main purpose of this study was to assess credit risk management and its influence on organizational performance among microfinance institutions in Kenya, survey of Microfinance Institutions Uasin Gishu County. The objectives are: To determine the appropriate credit risk environment and organizational performance among microfinance institutions, to evaluate the sound credit granting process and organizational performance among microfinance institutions, to evaluate the appropriate credit administration, measurement and monitoring process and organizational performance among microfinance institutions and to assess controls over Unsystematic Risk and organizational performance among microfinance institutions. The study employed descriptive survey research design. Target population for this study was 144 staff of micro finance institutions. The entire population was included in the sample through census sampling design because the target population was small and manageable. The data collection instruments that was used were questionnaires, interview schedule and document analysis. Data collected was analyzed through the use of descriptive and inferential statistics by way of using frequency tables and percentages and multiple regressions model. This was done through the use of a computer programme called Statistical Package for Social Science (SPSS) version 19. Study findings indicated credit granting process had significant effect on firm performance ($\beta_2=0.233$, s.e (β_2) = 0.04, $\rho = 0.000$). Similarly, administration measurement and monitoring process ($\beta_3=0.256$, s.e (β_3) = 0.05, $\rho = 0.000$), controls over unsystematic risk ($\beta_4=0.243$, s.e (β_4) = 0.048, $\rho = 0.000$) and credit risk environment ($\beta_1= 0.153$, s.e (β_1) = 0.044, $\rho = 0.000$) has significant positive on firms performance. Based on the study findings there is enough evidence to conclude that credit granting process, administration measurement and monitoring process, controls over unsystematic risk and credit risk environment is associated with a higher firm performance. It is therefore prudent for microfinance institutions to ensure that there is an adequate measure against occurrence of unsystematic risk in order to avoid eventualities. Therefore procedures and guidelines on dealing with new products should be passed from top management to all those involved in credit management in order to impact positively on organizational performance. Adamant measures to counter unsystematic should always be in place in microfinance institutions to enhance organizational performance. It is therefore necessary for microfinance institutions to come up with clearly established ways of granting credit to borrowers so that there is financial viability and reduced risk of bad debts.